

## Message Text

CONFIDENTIAL

PAGE 01 BEIRUT 09010 010651Z

15

ACTION NEA-12

INFO OCT-01 ADP-00 EB-11 COME-00 INT-08 TRSE-00 SCEM-02

L-03 CIAE-00 INR-10 NSAE-00 RSC-01 CIEP-02 NSC-10

PM-07 SS-15 STR-08 OPIC-12 OMB-01 RSR-01 /104 W

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R 010520Z JUL 73

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 3480

CONFIDENTIAL BEIRUT 9010

E.O. 11652: GDS

TAGS: ENRG, ETRN, LE, IZ, UK, FR, NL, SA

SUBJECT: MEDRECO NEGOTIATIONS WITH GOL BREAK DOWN

REF: BEIRUT 8324 AND 7758

1. ALTHOUGH MEDRECO NEGOTIATIONS BEGAN ON SCHEDULE, DEADLOCK WAS REACHED AFTER SEVERAL DAYS, WITH THE RESULT THAT THE FOREIGN MINISTER ONCE MORE SOUGHT AMBASSADOR'S "GOOD OFFICES." NOTING FACT THAT NEW GOVERNMENT WAS STILL IN THE PROCESS OF FORMATION AND THAT MORE TIME WAS REQUIRED FOR DECISIONS OF SUCH MAJOR IMPORTANCE TO BE TAKEN, FOREIGN MINISTER REQUESTED EXTENSION THROUGH NEXT DECEMBER.

2. AGREEING TO CONVEY THIS MESSAGE, THE AMBASSADOR CONTACTED THE MEDRECO NEGOTIATORS, WHO EXPRESSED WILLINGNESS TO GRANT 60-DAY EXTENSION, SUBJECT TO FURTHER EXTENSION TO DECEMBER UPON CONSULTATION WITH NEW YORK. DURING INTERIM PERIOD, HOWEVER, PRICE AGREED UPON LAST FEBRUARY OF \$2.68 PER BARREL WOULD HAVE TO BE RAISED TO \$3.49 TO REFLECT CHANGES IN PRICE TAKING PLACE SINCE THAT TIME. IN TERMS OF LEBANESE POUNDS, THE NEGOTIATORS POINTED OUT, FIGURE OF \$3.49 SAME AS \$2.68 FIGURE OF LAST FEBRUARY.

3. WHEN CONTACTED, FOREIGN MINISTER INDICATED 60-DAY

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PAGE 02 BEIRUT 09010 010651Z

EXTENSION WOULD BE SUFFICIENT. GOL, ON OTHER HAND, WISHED

NO INCREASE IN PRICE, BUT STRESSED THAT ANY AGREEMENT REACHED WOULD BE RETROACTIVE AND THAT INCREASE AT THIS TIME WAS, THEREFORE, NOT ALL THAT NECESSARY. FOREIGN MINISTER EMPHASIZED THAT SERIOUS NEGOTIATIONS WOULD GO FORTH IMMEDIATELY AND THAT HE WAS PERSONALLY COMPLETELY CONFIDENT THAT A FINAL ACCORD COULD BE REACHED. HE ONCE AGAIN URGED RECONSIDERATION.

4. FOLLOWING CONSULTATION WITH NEW YORK, NEGOTIATORS REGRETTFULLY DECLINED FOREIGN MINISTER'S APPEAL. AT REQUEST OF ALL US PARTIES CONCERNED (I.E. MEDRECO AND TAPLINE), AMBASSADOR, IN CONVEYING MEDRECO'S UNWILLINGNESS TO GRANT FURTHER EXTENSION WITHOUT PRICE RELIEF, POINTED OUT GOL INTEREST IN CONTAINING TO A MINIMUM ANY INDICATION THAT FUNDAMENTAL CHANGE IN LEBANESE ECONOMIC POLICY HAD TAKEN PLACE AND THAT LEBANESE HAD STARTED DOWN PATH OF NATIONALIZATION. THIS COULD BE BEST ACCOMPLISHED, HE NOTED, IF GOL LIMITED ITS ACTION TO REQUISITIONING SUFFICIENT CRUDE OFFTAKE FROM TAPLINE TO SUPPLY MEDRECO REFINERY. FURTHER ACTION, SUCH AS REQUISITIONING THE REFINERY AS WELL, WAS NOT REALLY NECESSARY FROM POINT OF VIEW OF GOL'S IMMEDIATE PRACTICAL NEEDS.

5. FOREIGN MINISTER STATED HE APPRECIATED LOGIC OF THESE REMARKS AND WOULD MAKE RECOMMENDATIONS ACCORDINGLY TO COUNCIL OF MINISTERS, BUT WE ARE, OF COURSE, NOT CERTAIN WHETHER THE FOREIGN MINISTER'S RECOMMENDATIONS WILL BE ACCEPTED.

6. BOTH FOREIGN MINISTER AND US PARTIES INVOLVED EXPRESSED APPRECIATION TO THE AMBASSADOR FOR ROLE HE WAS WILLING TO PLAY IN THIS MATTER. BUFFUM

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